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Report to the Chairman, Government Information, Justice and Agriculture Subcommittee, Committee on Government Operations, House of Representatives

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RURAL RENTAL HOUSING

Incentives Maintain Low-Income Housing but Clearer Guidance Needed

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Rural Rental Housing: Incentives Maintain Low-Income Housing but Clearer Guidance Needed

The Honorable Bob Wise
Chairman, Government Information,
Justice and Agriculture Subcommittee
Committee on Government Operations
House of Representatives

Dear Mr. Chairman:

This report responds to your request that we review the financial incentives provided by the U.S. Department of Agriculture's Farmers Home Administration (FmHA) to owners of FmHA-supported multifamily housing projects (apartment buildings). The Rural Rental Housing Displacement Prevention provisions of the Housing and Community Development Act of 1987 authorize FmHA to provide existing multifamily project owners with various financial incentives, such as equity loans, that encourage them to keep their projects in FmHA's rural rental housing program rather than prepaying their loans and terminating involvement in the program.[1] In this way, FmHA is able to preserve the housing units under its rural rental housing program and prevent the displacement of low-income tenants.

The need to provide financial incentives to multifamily project owners arose because FmHA did not include prepayment restrictions in the rural rental housing loan contracts that it approved before December 21, 1979. As a result, during the early and mid-1980s, some borrowers with pre-1979 loans found it financially beneficial to prepay their loans, remove their projects from FmHA's program, and convert the housing to other uses such as commercial rental units. This reduced FmHA's rural rental housing inventory and caused the displacement of some low-income tenants. Loans made since December 21, 1979, contain provisions designed to preserve FmHA multifamily housing projects and prevent tenant displacement.

As agreed, this report provides information on (1) the extent to which financial and other incentives offered by FmHA have been accepted by project owners to preserve the agency's rural rental housing inventory through September 30, 1991, (2) the types of incentives used by FmHA, and (3) the problems encountered by FmHA in providing these incentives.

[1]Prepayment occurs when a borrower elects to pay the housing loan balance in full prior to the scheduled maturity date of the loan.

Results in Brief

Since the Housing and Community Development Act of 1987 was enacted, 140 FmHA projects have either received financial incentives or have been sold to nonprofit organizations as authorized under the act to preserve low-income housing. A total of 5,870 housing units, or about 4 percent of the 160,000 units eligible for prepayment, were preserved through September 30, 1991. The primary financial incentive used has been equity loans totaling $50.3 million and averaging $390,000 per project. These loans were often provided by FmHA in conjunction with other financial incentives. Equity loans are attractive to borrowers because borrowers can use the loaned funds without any restrictions and the loans are repaid by project revenues since equity loan payments are considered to be project expenses. Since project owners of pre-1979 loans may prepay their loans at any time and remove their projects from the program, FmHA has been unable to estimate the cost of financial incentives that will be needed in future years.

FmHA encountered various problems in providing these incentives because its interim regulation provided limited guidance to the agency's state offices on factors influencing the amount of financial incentives that FmHA offered. As a result, some owners received larger incentives than they should have. One state, for example, made 14 equity loans using an inappropriate appraisal methodology that overstated the value of the projects and caused the loans to be inflated by a total of about $4.5 million. FmHA has developed a final regulation, scheduled to be issued and in effect by late summer 1992, that contains more detailed guidance on appraisal methodology and other problems experienced in implementing the incentives provisions. If properly implemented, the regulation should correct the appraisal and other problems experienced by FmHA.

Background

Section 515 of the Housing Act of 1949, as amended, authorizes FmHA to provide loans for borrowers to build, purchase, repair, and operate low-income multifamily housing projects in rural areas. These loans usually cover 97 percent of the project's cost or value, whichever is less, and must be repaid in 50 years or less. Interest rates on these loans are the current U.S. Treasury rates at the time the loan is made. However, FmHA may grant borrowers interest credit subsidies that, in effect, reduce the interest rates to as low as 1 percent annually. In addition, rents for tenants who qualify can be subsidized either through FmHA's or the Department of Housing and Urban Development's rental assistance programs.

Under the program, as of September 30, 1991, FmHA had awarded about $11.5 billion in loans for projects containing about 400,000 units. Approximately $3 billion worth of these loans were made before December 21, 1979, and do not contain prepayment restrictions.[2] Pre-1979 loans financed an estimated 40 percent of FmHA's rural rental housing inventory, or 160,000 of the 400,000 units. Owners of nearly all of the projects financed before 1979 may prepay their loans at any time and remove them from FmHA's program.

Congressional concern over the loss of projects financed before 1979 ultimately resulted in the Rural Rental Housing Displacement Prevention provisions of the Housing and Community Development Act of 1987. These provisions are designed to preserve rural rental housing and prevent tenant displacement by authorizing FmHA to offer financial incentives to project owners who wish to prepay their loans.

Incentives Provided to Preserve Low-Income Rural Housing

FmHA had preserved 5,870 housing units in 140 projects at an estimated cost of at least $68.8 million as of September 30, 1991, by providing financial incentives or arranging for projects to be sold to nonprofit organizations. The housing units preserved for an additional 20 years represent about 4 percent of the 160,000 units on which owners can prepay their FmHA loans. According to FmHA officials, no tenants have been displaced from the agency's projects because of a loan prepayment since the financial incentives program was implemented.

The Housing and Community Development Act of 1987 authorizes FmHA to offer the following financial incentives either individually or combined into packages:

- equity loans to owners in amounts of up to 90 percent of the borrower's equity in the project,
- additional rental assistance payments to the borrower for eligible tenants,
- increases in the borrower's rate of return (profit) on his/her original investment in the project, and/or
- a reduction of interest rates on the original FmHA construction loan through interest credits.

Owners who accept these incentives agree to retain the project in the program for an additional 20 years from the date that they execute the

[2]The value of the loans made is the amount of the original loan, not the current outstanding principal, because data on the total outstanding principal were not readily accessible.

incentive agreement. Owners who do not accept the incentives must attempt to sell the project to a nonprofit organization. If no offer is received after 180 days, the owner may prepay the loan and withdraw the project from the program. Appendix I shows the number of projects and units that FmHA has preserved using the various methods authorized under the act.

Although several incentives are available to encourage owners to maintain their projects in the program, one incentive—equity loans—has been the primary inducement used to preserve 129 projects and prevent tenant displacement in 5,516 low-income housing units. Two of the three remaining incentives—additional rental assistance and increased rate of return on investment—have, in most cases, been used in combination with equity loans. The remaining incentive—reducing interest rates on existing FmHA loans through interest credits—has not yet been used because the owners of all 131 projects who accepted a financial incentive had already been granted an interest credit subsidy when FmHA made the original project loan. In addition to preserving these 131 projects, FmHA also arranged for 9 other projects to be sold to nonprofit organizations under another provision of the act. Appendix II details the type of incentives used by FmHA to preserve these 140 projects and prevent tenant displacement.

Equity Loans Are the Primary Financial Incentive Accepted

Of the 140 owners who accepted financial incentives or sold their projects to nonprofit organizations through September 30, 1991, 129 received equity loans. These loans totaled $50.3 million and preserved 5,516 units. The loans ranged in value from a low of $25,000 for one project to a high of almost $3.5 million for another. On average, the equity loans granted by FmHA were $390,000 per project. Appendix III summarizes by state and fiscal year the number and amount of equity loans made and the number of units preserved for low-income tenants.

As prescribed by law, FmHA can grant equity loans of up to 90 percent of the borrower's equity in the project. Of the 129 loans, 114 were made at the maximum 90-percent rate. The remaining 15 loans ranged from 54 percent to 87 percent of the borrower's equity. Irrespective of the percentage of the equity loans given, all loan proceeds go to the project owner with no restriction on how they may be used. Furthermore, the owner is not required to repay the loan from personal funds; instead, the project repays the loan, principal, and interest as a project expense. The following example illustrates the details and circumstances surrounding an equity loan made by FmHA to a New Jersey project owner.

FmHA financed the construction of a 168-unit project in 1977 with loans totaling $3.1 million, repayable over 40 years at an annual interest rate of 1 percent. The project's appraised value in 1977 was about $3.3 million. By 1991, the appraised value of the property had risen to $6.5 million, and the owner requested prepayment of the loan. In 1991, FmHA offered, and the owner accepted, an equity loan of about $3.5 million (87 percent of the 1991 appraised value less the owner's unpaid debt of about $2.2 million). Under the agreement between FmHA and the owner, the project repays the loan at an annual interest rate of 1 percent and is required to remain in the program for an additional 20 years (1991-2011). FmHA's loan contract does not require any portion of the loan proceeds to be used for the project, and, according to a FmHA official, none of the proceeds of this loan were so used.

To help the project meet the increased debt service resulting from this loan and maintain affordable rents, the act permits FmHA to provide additional incentives authorized under the act to such projects. In this case, FmHA increased the project's rental assistance payments.

Equity Loans Often Used With Other Financial Incentives

FmHA often granted equity loans in conjunction with two other financial incentives—additional rental assistance payments and increased rate of return on investment. The act allows FmHA to grant one or more incentives if the incentives are necessary to provide a fair return for the owner's investment in the project and if they are the least costly alternative to the federal government consistent with carrying out the purpose of the Rural Rental Housing Displacement Prevention provisions. As shown in table 1, 42 projects received equity loans only, while the remaining 87 received additional rental assistance and/or an increased return on investment in conjunction with the equity loans.

Table 1: Equity Loans Used to Preserve FmHA Low-Income Rural Rental Housing Units

Type of incentive	Number of borrowers	Units preserved
Equity loans	42	1,677
Equity loans with:		
Additional rental assistance	65	2,864
Increased rates of return on investment	12	475
Both additional rental assistance and increased rates of return	10	500
Total	**129**	**5,516**

For these 87 projects, FmHA increased rental assistance payments for tenants and/or rates of return on investments. The added rental assistance ensures that rent payments will not increase because of the equity loan payments. FmHA increased rental assistance payments for tenants already receiving such assistance or offered assistance to tenants not currently receiving it. In the case of the New Jersey equity loan discussed previously, the additional debt service caused by the $3.5 million equity loan resulted in the project's monthly rents increasing by $80 per unit. To prevent tenants from paying this increase, FmHA increased rental assistance payments for 39 project tenants already receiving such assistance and authorized an additional 69 tenants to begin receiving assistance payments.

The total cost of providing additional rental assistance payments to the New Jersey project and other projects that received this type of incentive was not readily available to FmHA. However, FmHA estimated that the cost of rental assistance for 1,175 tenants who had not been receiving such assistance prior to the equity loan totaled about $13.3 million over the life of the 5-year renewable rental assistance contracts.[3] Appendix IV details the additional rental assistance costs incurred by FmHA for the 1,175 tenants by state.

For 12 of the 87 projects that received equity loans, the additional financial incentive of an increased rate of return on investment was also provided. This incentive allows FmHA to increase the owner's rate of return on the initial investment from a previous limit of either 6 or 8 percent to 10 percent. FmHA was unable to calculate the total cost for the increased rates of return because the return for each project can vary each year and the return is paid from project funds, rather than directly by FmHA.

[3]FmHA provides rental assistance to low-income housing projects under 5-year renewable agreements.

The remaining 10 equity loan recipients received both increased rental assistance payments and rates of return on investments as additional incentives. FmHA was unable to calculate the cost of these additional incentives for the same reasons.

Incentives Rarely Used Without Equity Loans

Financial incentives provided by FmHA were infrequently granted without equity loans. FmHA approved only two incentive packages that did not include equity loans. These two packages included both increased rates of return and rental assistance payments for each project owner. FmHA did not offer any project owner the financial incentive of a reduced interest rate on an existing loan because all 131 owners who received incentives were already receiving interest credits as a subsidy on their original loan.

Nine other project owners who requested prepayment of their loans declined financial incentives. In cases where FmHA is unable to reach an agreement on incentives with the project owner, the act requires that FmHA determine if the units are needed or if any minorities are affected. FmHA can accept payment if, among other things, the units are not needed or there is no minority impact. Otherwise, the owner must first attempt to sell the project at fair market value to a nonprofit organization or public agency that will agree to maintain the project as low-income housing for its remaining useful life. To facilitate such sales, the act authorizes FmHA to offer assistance to qualified purchasers by providing loans for both the purchase price and other costs of the sale. If no offers to purchase the properties are received within 180 days, the owner may prepay the loan without restrictions. For these nine projects, arrangements were made to sell them to various nonprofit organizations. FmHA provided full financing to the new owners with loans totaling about $5 million.

Problems Experienced Providing Financial Incentives

FmHA guidance for implementing the act provided limited guidance to FmHA state offices on key factors influencing the amount of financial incentives that FmHA could offer to project owners. FmHA issued an interim regulation effective May 23, 1988, to implement the financial incentive provisions, but the regulation basically restated the provisions of the legislation and provided limited additional implementation guidance.

FmHA officials acknowledged that because the interim guidance did not contain specific information on (1) how project appraisals should be performed, (2) what type of documentation is needed to demonstrate a borrower's ability to prepay, and (3) how to calculate the amount of financial incentives needed, some borrowers may have received more incentives than necessary to keep them in the program.

Inappropriate Methodology Used in Appraising Properties

The interim regulation did not contain clear guidance on whether or not project appraisals made for equity loans should include the value of FmHA subsidies. FmHA's appraisal instructions require that a project be appraised for its proposed use, which, in most cases, is subsidized rental housing. However, FmHA officials believe that borrowers who request prepayment are in effect stating that they believe the housing's proposed use should be commercial rental housing. Following this rationale, the appraisal would be performed as though the project were commercial rental housing; that is, the appraisal would not include the value of any subsidies.

As a result, over a 2-year period beginning in 1989, one FmHA state office made 14 equity loans on the basis of a subsidized appraised value that was greater than the commercial value. FmHA state office staff calculated, on the basis of their records, that by using the subsidized appraised values, these loan amounts were overstated by a total of about $4.5 million. FmHA headquarters officials acknowledged that this situation may have occurred elsewhere, but they did not have any additional financial data detailing such activities in other states.

Guidance Inadequate to Document Owner's Ability to Prepay

The interim regulation also lacked detailed guidance related to evaluating an owner's ability to prepay the loan. The regulation required that FmHA state offices document an owner's ability to prepay the rural rental housing loan, but offered no guidance on how much or what type of documentation was required. According to FmHA officials, without documentation controls in place, some owners could have received incentives to prevent prepayment even if they did not have the ability to prepay the loan. For example, a January 1991 FmHA review of prepayment activity in one state revealed that, in many of the cases examined, files lacked adequate documentation to demonstrate the borrower's ability to prepay. FmHA did not, as part of this review, determine if incentives were provided because of inadequate documentation. In June 1991, FmHA provided additional guidance through written administrative instructions to all state offices. These instructions explained how to document a borrower's ability to prepay.

Guidance Inadequate to Determine the Types and Amounts of Financial Incentives Needed

While the interim regulation listed the financial incentives available and criteria to consider when offering incentives, it did not contain detailed guidance on how to determine which incentive to offer, how to apply the criteria, and what amount of incentive to offer. FmHA officials told us that some FmHA state offices developed and used their own methods for calculating the amount of incentives needed, while other states offered full 90-percent equity loans to all eligible owners who requested prepayment. Of the 129 projects that were granted equity loans, 114 received them at 90 percent of the appraised value less the outstanding principal balance. The remaining 15 loans ranged between 54 and 87 percent of the appraised value.

Status of Final Regulation

A final regulation which would address these implementation problems is currently under consideration at FmHA. According to FmHA officials, the final regulation has been continually delayed because of higher priorities, a change in the staff preparing the final regulation, and numerous comments received on the draft regulation published for comment in May 1988. The agency expects to have the regulation issued in June 1992—a date that has changed frequently and is now more than 4 years after the draft final regulation was published. However, FmHA officials estimate that it will be late summer or early fall before the regulation is fully implemented because of the time it will take to get instructions and procedures established and out to the state, district, and county offices.

The proposed final regulation requires all equity loan appraisals to be conducted on a commercial market instead of a subsidized rental basis. It also includes detailed guidance on documenting an owner's ability to prepay and a model for state offices to follow when calculating the amount of financial incentives needed. FmHA officials believe the final regulation, when implemented, will address the problems previously experienced with the interim regulation and ensure consistent and fair treatment of all owners requesting prepayment.

Conclusions

Since 1988, FmHA has been successful in preserving its rural rental housing inventory and preventing low-income tenant displacement. The financial incentives that FmHA provided to achieve this outcome, however, were substantial, and, in some instances, larger than they should have been. Furthermore, the known cost of about $69 million to preserve the 5,870 units in 140 projects does not represent the total cost. Costs associated with the return on investment and rental assistance incentives remain largely unknown.

FmHA has developed a draft final regulation which, if properly implemented, should correct the problems that led to the payment of greater financial incentives than were necessary. However, the final regulation has been continually delayed because of higher priorities and other reasons. While FmHA is scheduled to issue the final regulation in June 1992, it will not be fully implemented until late summer or early fall because of the time needed to establish implementing instructions and procedures. Nevertheless, there is a need for FmHA to issue the regulation as soon as possible as well as establish the necessary implementing instructions and procedures that will minimize the cost of preserving housing for low-income rural renters.

Recommendation

To correct the problems encountered in FmHA's interim regulation and ensure that no further delays occur in implementing the final regulation, we recommend that the Secretary of Agriculture direct the Administrator of FmHA to establish instructions and procedures for implementing the regulation and ensure that these procedures are distributed to FmHA's state, district, and county offices as soon as the regulation is issued.

Agency Comments

We discussed the contents of this report with FmHA officials, including the Assistant Administrator for Housing. They generally agreed with the report's contents, and we have incorporated their comments and suggestions where appropriate. However, as your office requested, we did not obtain written agency comments on a draft of this report.

Scope and Methodology

We reviewed applicable provisions of the Housing and Community Development Act of 1987, the legislative history of the act, and FmHA interim and proposed final regulations implementing the Rural Rental Displacement Prevention provisions of the act. To obtain information on the types of financial incentives provided by FmHA to preserve rural housing for low-income tenants and the problems it experienced in implementing these incentives, we obtained data from FmHA's Automated Multi-Family Housing Accounting System as of September 30, 1991, regarding projects that accepted incentives or were sold to nonprofit organizations. We verified the data with a separate data base maintained manually by FmHA's National Office. We also interviewed FmHA National

Office and state and district office representatives; reviewed procedures for processing prepayment requests in three states—California, Illinois, and North Carolina, which contained 41 percent of the projects for which financial incentives had been provided as of September 30, 1991; and examined the equity loan case files in North Carolina—the state with the second highest number of equity loans.

We conducted our review from July 1991 through January 1992 in accordance with generally accepted government auditing standards. Our work on the status of the FmHA's final regulation was updated through May 1992.

Unless you announce its contents earlier, we plan no further distribution of this report until 30 days from the date of this letter. At that time, we will send copies to interested congressional committees; the Secretary of Agriculture; the Director, Office of Management and Budget; and other interested parties. We will also make copies available to others upon request.

This work was performed under the direction of Judy A. England-Joseph, Director of Housing and Community Development Issues, who may be reached at (202) 275-5525 if you or your staff have any questions. Other major contributors to this report are listed in appendix V.

Sincerely yours,

J. Dexter Peach
Assistant Comptroller General

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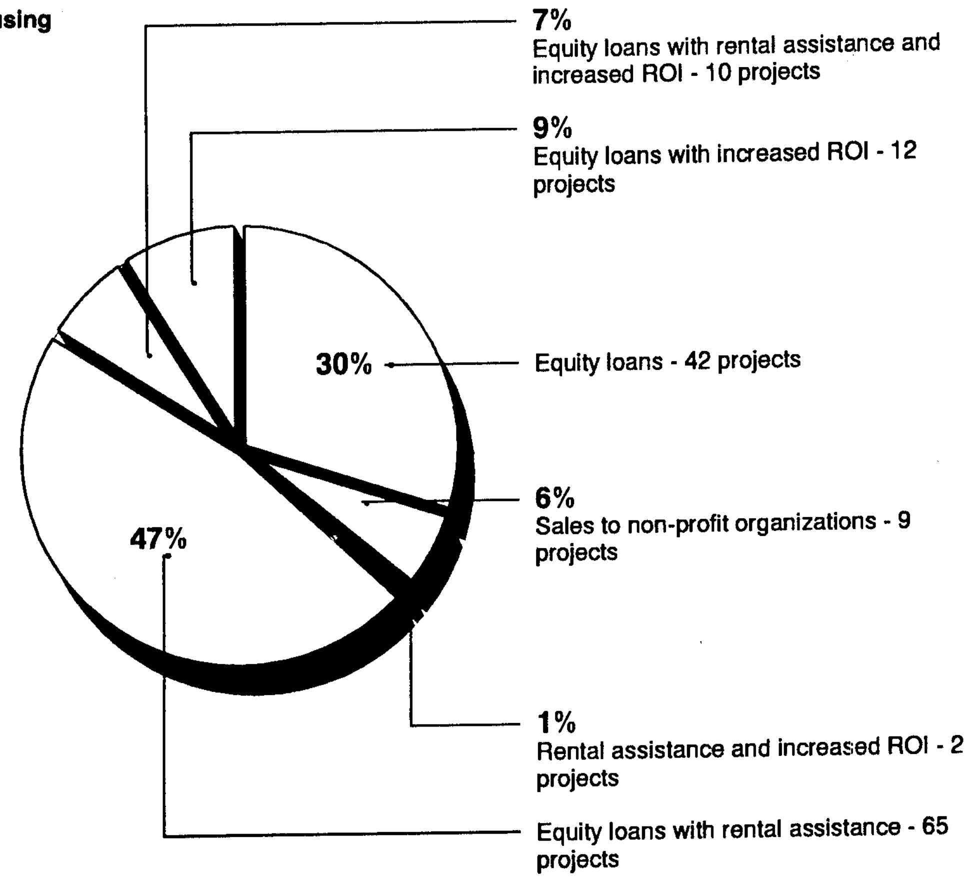
Abbreviations

FmHA	Farmers Home Administration
ROI	Return on Investment

Methods Used by FmHA to Preserve Rural Rental Housing

Figure I.1: Methods Used by FmHA to Preserve 140 Rural Rental Housing Projects



ROI - return on investment

Table I.1: Units Preserved by FmHA Under the Provisions of the Housing and Community Development Act of 1987

	Number of units preserved	Percent of units preserved
Methods used to preserve:		
Equity loans	1,677	28.6
Equity loans with rental assistance	2,864	48.8
Equity loans with increased ROI[a]	475	8.1
Equity loans with rental assistance and increased ROI[a]	500	8.5
Rental assistance and increased ROI[a] without equity loans	40	0.7
Sales to nonprofit organizations	314	5.3
Total	**5,870**	**100.0**

[a]ROI = return on investment.

List of Projects and Methods Used by FmHA to Preserve Rural Rental Housing Units

			Financial incentive used				
			Equity loans				Sales to nonprofits
Project name	State	Number of units	Amount	Percent of loan	Rental assistance	Return on investment	Loan amount
Riviera Gardens	Ariz.	23	$106,930	90	X		
Western States Ent	Ariz.	40	523,370	90	X		
Totem Villa	Calif.	36	721,000	90			
Fowler Apts	Calif.	44	78,150	90			
Willows Apts	Calif.	36	275,000	90			
Sunset Apts	Calif.	24	218,000	90	X	X	
Red Bluff Apts	Calif.	72	534,800	90		X	
Porterville Garden	Calif.	63	335,700	90			
Tulare Gardens	Calif.	64	393,100	90			
Casa Del Sol	Calif.	60	899,500	90	X	X	
Hesperia Garden Apts	Calif.	112	1,123,200	90		X	
Riverview Terrace	Calif.	60	608,380	90		X	
Hallmark Apts	Calif.	48	175,000	90		X	
Garden Apts	Calif.	42	451,200	90		X	
Pacific View Apts	Calif.	26					$1,356,280
San Andreas Apts	Calif.	48	332,500	90	X		
Colusa Garden Apts	Calif.	96	900,000	90	X		
Lindsay Apts	Calif.	60	579,700	90			
Creston Garden	Calif.	60	829,200	90			
River Garden	Calif.	48	481,500	90			
River Garden	Calif.	60	774,000	90			
Los Banos Apts	Calif.	68	475,000	90			
Madera Apts	Calif.	68	324,500	90			
Woodlake Apts	Calif.	48	40,000	90			
Walnut Apts	Calif.	32	240,000	90			
Manzanita Hills	Calif.	80	828,500	90			
Skyway Apts	Calif.	24	266,000	90			
Ty-Del Apts II	Calif.	28	477,400	90			
Ty-Del Apts I	Calif.	28	515,500	90			
Oakdale Apts	Calif.	42	595,300	90			
Manzanita Hills	Calif.	80	738,000	90			
Centennial Arms	Calif.	21	244,150	90			
Corning Apts	Calif.	44	373,500	90			
Woodduck, Ltd	Fla.	64	894,980	90			
Jupiter Homes Corp	Fla.	18	327,940	90	X		

(continued)

			Financial incentive used				
			Equity loans				Sales to nonprofits
Project name	State	Number of units	Amount	Percent of loan	Rental assistance	Return on investment	Loan amount
Third Housing 401	Fla.	24	477,380	90	X		
Cypress Manor Apts	Fla.	62	969,130	90	X		
Valley View Apts	Iowa	28					319,800
Beardmore East	Idaho	9	30,600	90		X	
R E Investment Co	Ill.	16	164,300	90	X		
Land Trust #605	Ill.	24	138,000	90	X		
Land Trust #582	Ill.	24	174,700	90	X		
Trust #22-137	Ill.	48	447,100	90	X		
Landmark Trust Co	Ill.	24	104,000	90	X		
Heritage Apts	Ill.	24			X	X	
Trust #1	Ill.	16			X	X	
Westmore Apts	Ind.	24	400,000	70	X		
Shelter Investment	Ind.	106	631,000	90	X	X	
Belding Apts	Mich.	20	148,800	90	X		
Crest Realty	Mich.	46	345,160	90	X		
Century Place Apts	Mich.	48	416,414	90	X		
Aspen Hgts Apts Co	Mich.	48	549,138	90			
Glendale Apts	Mich.	28	53,759	72			
Lakeside Apts	Mich.	64	147,473	86	X		
Creekwood Estates	Mich.	54	941,900	90	X		
Jacklyn Apts	Mich.	8	77,300	85	X		
Century Place Apts	Mich.	48	523,103	90	X		
Birch Lake Apts	Mich.	48	231,401	80			
Park Terrace Apts	Mich.	48	390,179	90	X		
Traverse Woods I	Mich.	48	501,230	90	X		
Traverse Woods II	Mich.	80	508,680	90	X		
Ridgemont Apts	Minn.	48	378,900	90		X	
Village Apts	Minn.	8	136,000	90			
Elysian Manor	Minn.	8	25,000	90			
Alpine Apts	Minn.	8					100,692
Hollow Park Apts	Minn.	12	58,100	65			
Frontier	Mont.	24	224,500	90			
Frontier	Mont.	24	233,000	90			
Frontier Communities	Mont.	24	204,600	90			
Fuquay II Manor	N.C.	24	196,916	90	X		
The Highland Apts	N.C.	74	793,590	90	X	X	

(continued)

Appendix II
List of Projects and Methods Used by FmHA to Preserve Rural Rental Housing Units

			Financial incentive used				Sales to nonprofits
			Equity loans				
Project name	State	Number of units	Amount	Percent of loan	Rental assistance	Return on investment	Loan amount
Brierwood Apts	N.C.	64	827,210	90	X	X	
Pinewood Park Apts	N.C.	54	640,290	90	X	X	
Fuquay Manor Apts	N.C.	24	236,870	90	X		
Woodlawn Apts	N.C.	50	556,050	90	X	X	
Countryside	N.C.	40	603,970	90	X	X	
Westwood Apts	N.C.	40	358,840	90		X	
Blue Ridge	N.C.	46	545,850	90	X		
Woodbridge Apts	N.C.	50	722,490	90	X		
Oak Ridge Apts	N.C.	48	478,780	90	X		
Wynnfield Court Apts	N.C.	54	321,440	90	X		
Wynnfield Court Apts	N.C.	50	356,970	90	X		
Valleyview 1	N.C.	8	87,500	90	X		
Fairmont Village	N.C.	50	369,060	90	X		
Ten Pines Apts	N.C.	48	397,840	90	X		
Forest Village Apts	N.C.	50	550,550	90	X		
Oak-Lo Manor	N.D.	24					218,040
Sr Meals Services I	N.D.	24					190,080
Placid Woods	N.H.	28	451,570	90			
Apple Tree Village	N.H.	22	100,000	54			
Mullica W Limited	N.J.	168	3,460,000	87	X		
Maloff Towers I	N.Y.	24	253,080	63	X		
Wine Creek Apts	N.Y.	44	542,460	65	X		
Hammerstone Village	N.Y.	25	414,560	87	X		
Washington CH II	Ohio	64	130,000	90			
The Heights	Ohio	60	221,000	90			
The Village Apts	Ohio	50	299,500	90			
Springfield Apts	S.C.	72	477,100	75	X		
West Forest Apts	S.C.	72	331,000	75	X		
Sparkleberry Hill	S.C.	64	402,000	90	X		
Fairfield Apts	S.C.	60	755,000	90	X		
Page Square Apts	S.C.	40	255,000	90	X		
Oakland Plantation	S.C.	72	479,000	75	X		
Kruse, Stanley B.	S.D.	8	35,000	78	X		
Grandview Apts	Tex.	24	70,000	90	X		
Crestmoor Park West	Tex.	59	445,000	90	X		
Pinewood Terrace I	Tex.	84	85,000	90	X		

(continued)

Project name	State	Number of units	Financial incentive used: Equity loans: Amount	Financial incentive used: Equity loans: Percent of loan	Financial incentive used: Rental assistance	Financial incentive used: Return on investment	Sales to nonprofits: Loan amount
Willowick Housing	Tex.	60	591,300	90	X		
Valley View Apts	Tex.	24	42,100	90	X		
Justin Place Apts	Tex.	24	81,620	90	X		
Lake Dallas Housing	Tex.	40	226,360	90	X		
Oxford Square Apts	Tex.	36	150,000	90	X		
Crestmoor Park South	Tex.	68	500,000	90	X		
Camelot Square Apts	Tex.	136					1,144,410
Hilltop Apts	Tex.	24	106,800	90	X		
Bridgeport Housing	Tex.	24	142,760	90	X		
Oakcrest Apts	Tex.	36	220,000	90	X		
Royal Crest Apts	Tex.	48	132,600	90	X		
Nocona Terrace Apts	Tex.	36	122,000	90	X		
Briarwood Apts	Va.	48	626,670	90	X		
Cavalier Apts	Va.	66	723,000	90	X		
Briarwood Apts	Va.	44	715,860	90			
Oxford Square Apts	Va.	87	625,000	90	X		
Colonial Manor Apts	Vt.	20					456,500
Maple Street	Vt.	4					99,000
Hilltop Town Houses	Vt.	44					1,118,900
Mountain View	Wash.	15	65,150	90		X	
Pend Oreille West	Wash.	13	84,340	90		X	
Pinetree Apts	Wash.	27	305,700	90			
Ferndale Four-Plex	Wash.	4	56,000	90			
Lone Pine Apts	Wash.	12	115,800	90			
Sunset Apts	Wash.	12	141,600	90			
Elmwood Senior	Wis.	32	266,500	90			
Orchard Hills I	Wis.	16	132,630	90	X		
Orchard Hills II	Wis.	16	137,130	90	X		
South Shore Apts	Wis.	8	67,070	90	X		

(continued)

			Financial incentive used				Sales to nonprofits
			Equity loans				
Project name	State	Number of units	Amount	Percent of loan	Rental assistance	Return on investment	Loan amount
Oakwood II	Wis.	8	75,920	90		X	
Center Grove Apts	Wis.	12	73,000	90	X	X	
Oakwood I	Wis.	8	80,390	90		X	
Broadway Court I	Wis.	16	149,700	90	X	X	

Note: Apts = Apartments

CH = Congregate Housing

Ent = Enterprises

Equity Loans Provided by FmHA

Table III.1: Summary of Equity Loans by State

State	Number of loans	Amount of loans	Number of units
Arizona	2	$630,300	63
California	30	14,827,780	1,596
Florida	4	2,669,430	168
Idaho	1	30,600	9
Illinois	5	1,028,100	136
Indiana	2	1,031,000	130
Michigan	13	4,834,537	588
Minnesota	4	598,000	76
Montana	3	662,100	72
New Hampshire	2	551,570	50
New Jersey	1	3,460,000	168
New York	3	1,210,100	93
North Carolina	17	8,044,216	774
Ohio	3	650,500	174
South Carolina	6	2,699,100	380
South Dakota	1	35,000	8
Texas	14	2,915,540	587
Virginia	4	2,690,530	245
Washington	6	768,590	83
Wisconsin	8	982,300	116
Total	**129**	**$50,319,333**	**5,516**

Table III.2: Summary of Equity Loans by Fiscal Year

Fiscal year	Number of loans	Amount of loans	Number of units
1988	3	$535,210	64
1989	29	10,778,670	1,178
1990	59	20,191,513	2,423
1991	38	18,813,940	1,851
Total	**129**	**$50,319,333**	**5,516**

Additional Rental Assistance Cost for Projects Receiving Equity Loans With Rental Assistance Incentives

State	Number of projects	Number of units	Additional assistance units	5-Year assistance cost[a]
Arizona	2	63	32	$353,504
California	4	228	50	531,208
Florida	3	104	19	209,893
Illinois	5	136	37	404,280
Indiana	2	130	10	93,960
Michigan	10	464	98	1,068,788
New Jersey	1	168	69	1,128,702
New York	3	93	57	669,561
North Carolina	16	734	309	3,245,355
South Carolina	6	380	103	1,124,161
South Dakota	1	8	1	11,018
Texas	14	587	281	3,299,491
Virginia	3	201	58	623,110
Wisconsin	5	68	51	557,226
Total	**75**	**3,364**	**1,175**	**$13,320,257**

[a]Represents additional rental assistance costs only for tenants not receiving rental assistance before the equity loan.

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